

Cross-border eCommerce - China

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Why is this important to you?

Some facts...

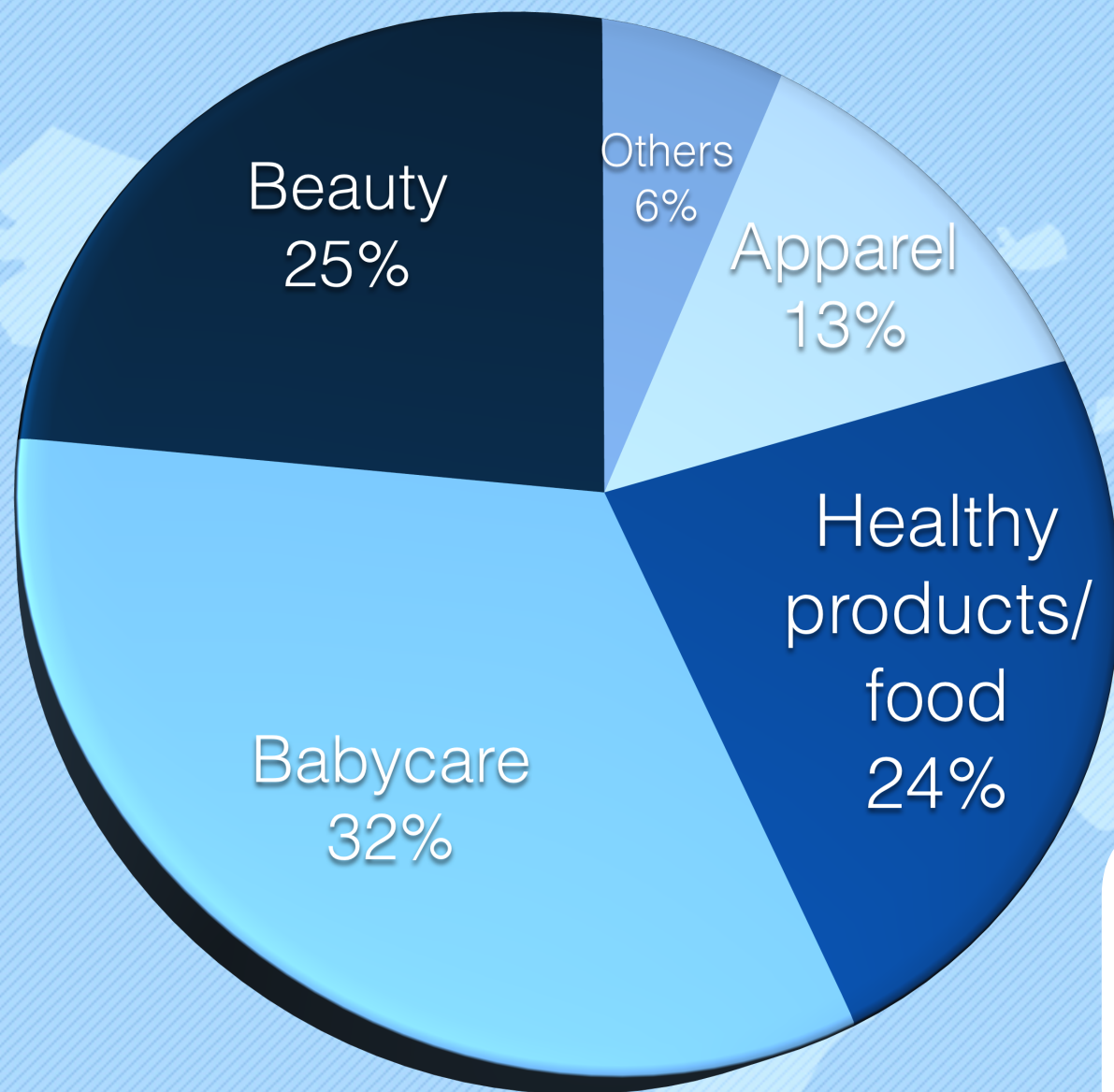


Chinese consumers in 2014 are expected to spend \$345 billion shopping online, surpassing all other countries including the world's current largest online retail market, the U.S.

More than 315 million Chinese shop on the internet. That's 75 million more e-shoppers than there are in the U.S., double the number of online shoppers in Japan, and six times the number in U.K.

In 2013, 7% of all digital shoppers made cross-border purchases. (This represents \$12.3 billion in 2013.)

What Chinese are buying online



Baby and beauty are currently the two largest product segments in the cross-border sales.

3C (China Compulsory Certification) products/food have great market potential, and are expected to see rapid growth.

What to ask!



Trademark registration in China

Define your China strategy

Payment/logistics/customs

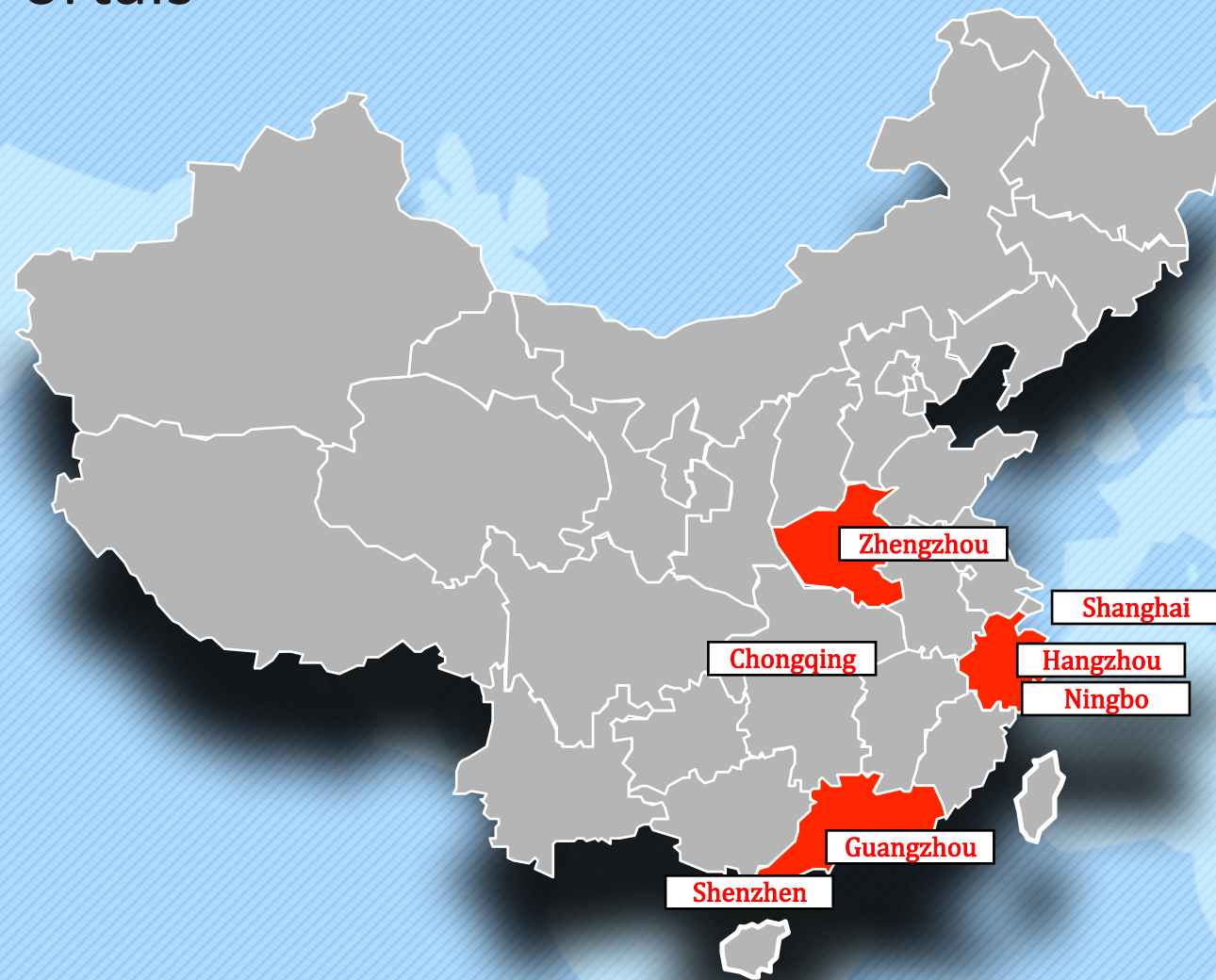
Cost

Marketing

Management

Cross-border eCommerce

Portals



Shanghai 上海

跨境通 www.kuajingtong.com

Ningbo 寧波

跨境購 www.kjb2c.com

Zhengzhou 鄭州

萬國優品 www.wgyp.com

Hangzhou 杭州

天貓國際 www.tmall.com.hk

Chongqing 重慶

重慶電商 www.cqkjs.com

Guangzhou 廣州

海外通 www.wtdex.com

Shenzhen 深圳

TBD

The above portals are for reference only. Rules that permit the use of other platforms, are unique to each city.

Cross-border eCommerce

Portals

Cross-border regulations are changing and vary in each test zone.

- 5+2 cities currently enjoy these test policies
- Each city has its different strengths and weaknesses
- Currently, Ningbo and Hangzhou have the highest inbound sales volume
- VIPshop has signed an agreement with the Guangzhou portal
- Tmall Global has signed an agreement with the Hangzhou portal
- Test zones being added monthly (Tianjin, Shenzhen, etc.)
- The Shanghai portal only uses their own payment and logistics company



Cross-border eCommerce

Two models



| | Sales | Passing customs | Duty |
|----------------------------------|--|--|----------------|
| Bonded warehouse (beihuo, 备货) | No sales order before products arrive at the portal. [Arrives in bulk] | Required to be products, that are already in China through general trade. [CIQ is required] | See next page. |
| Direct (jihuo, 集货) | Sales order already exists before products arrive at the portal. [Pre-addressed & Packaged] | No CIQ is required. | |

Cross-border eCommerce

Comparison of different methods



| | U.S. website | Purchasing agent | Cross-border eCommerce |
|-----------|----------------------------------|----------------------------------|--|
| Timing | 2-4 weeks | 2-4 weeks | <ul style="list-style-type: none">• 1-2 weeks (direct)• up to one week (bonded warehouse) |
| Logistics | Returns difficult | Returns difficult | Returns convenient |
| Prices | U.S. price + logistics (high) | U.S. price + agent fee (high) | U.S. price + low shipping |
| Duties | Unknown/upon custom's inspection | Unknown/upon custom's inspection | Lower duties |

Cross-border eCommerce

Ranges of eCommerce platform fees



Refundable deposit

\$25,000 - \$40,000

Annual rental fee

\$5,000 - \$10,000

**Logistic/
warehouse charge**

5 - 20%
depends on product

Banking fee

1% - 1.5%

Cross-border eCommerce

Benefits



Barriers to China entry, lower than traditional eCommerce or retail.



Lower duties, no VAT



Exists in a rapidly changing landscape, that affords unique advantages, especially for products that require CIQ inspection.



Supervised by China customs, process is transparent, no **fake** products.

Cross-border eCommerce

Duty



10% food, drink, shoes, boots,



20% textile, home electronics



30% sportware, Golf tools



50% cosmetics

If the calculated duty is less than 50 RMB, no duty is charged.

Value of each package is limited. (1,000 RMB - US; 800 RMB - HK, Taiwan and Macau)
If the selling price for one item exceeds 1,000/800 RMB - this is OK.
Multiple items in one package can not exceed 1,000/800 RMB.



**WE WANT YOU TO
SELL YOUR PRODUCTS
TO CHINA.**

Please contact us to learn more about
selling your products by eCommerce to
China.

U.S. Department of Commerce
GlobalMarkets

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